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POLICY RESEARCH NOTES: Published by the Economic Research Service, USDA, and the Illinois Agricultural Experiment Station for professionals in Public Agricultural and Food Policy Research, Teaching, Extension, and Policymaking.

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INTRODUCTION

The numerous announcements of policy conferences and meetings plus the long list of publications in this issue of Policy Research Notes is a cogent reminder of the impending 1985 Farm Bill. In this issue, Tom Fulton delineates the wide bounds of alternatives ranging from permanent legislation to no Government involvement at all, and Jim Hildreth reminds us of the role science and research play both in policy formulation and in the way that policies affect the food and agriculture sector.

As the new farm legislation unfolds and the many alternatives are aired and analyzed these and other works of policy researchers will be available to aid in the decisionmaking process. The belief that more and better information will improve those decisions continues to be the rationale for the Notes.

Policy Research Notes is distributed to provide a communication linkage among policy workers. It is circulated on a May and November schedule each year. Requests for copies of earlier issues of these Notes, comments or suggestions about them, and proposed contributed articles may be sent to either address below.

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Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. The Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and James A. Zellner, Food and Agricultural Policy Branch, ERS, 500 12th Street, S. W., Washington, D. C. 20250

ANNOUNCEMENTS

Dates for NPPEC Announced

The thirty-fifth annual National Public Policy Education Conference will be held September 16-20, 1985. Place to be announced. A program committee under the NPPEC chairmanship of Ronald D. Knutson, Texas A & M University, will be developing further plans.

National Conference on 1985 Food and Agricultural Policy

The National Center for Food and Agricultural Policy of Resources for the Future, the National Agricultural Forum, and several other nonprofit organizations will hold a three-day conference, December 4-6, 1984, on food and agricultural policy issues facing Congress in 1985. The conference, open to the public, will be held in Washington, D.C.

For further information and registration forms, contact Linda Pierce, Resources for the Future, 1755 Massachusetts Ave., N.W., Washington, D.C. 20036 (202/328-5082) or Agricultural Council of America Education Foundation (202/682-9200).

Policy Topics on Agenda for Winter AAEA-AEA Meetings

Policy concerns will figure into several of the sessions planned for the Winter Joint AAEA-AEA Meetings, December 27-30, 1984, Dallas, Texas with things as follows: "Prospects for Fundamental Change in Farm and Food Programs"; "Equity Implications of Public Policy in an Unstable Agricultural Economy"; "U. S. Agricultural Trade Policies in the 1980's and Beyond"; "Effects of Inflation on the Performance of Agriculture"; and "Restraints Under Open Access Natural Resources".

For further detail, watch for announcements in upcoming AAEA Newsletter.

Symposium on Technology and Public Policy

Manuscripts are being solicited for an upcoming symposium, and subsequent publication, during 1985, focused on the theme of "Food and Technology: A Public Policy Perspective".

For further information and submissions, contact William P. Browne (jointly with Don Hadwiger of Iowa State University), Department of Political Science, Central Mighigan University, Mt. Pleasant, MI 48859.

National Center for Food and Agricultural Policy Announces Fellowships and Small Grants

The first resident fellowships have been announced by the new National Center for Food and Agricultural Policy of Resources for the Future for work on current or emerging public policy problems of national significance to food, agriculture, and resources. Spending part or all of the 1984-85 academic year at the RFF's Washington headquarters, the recipients and programs are:

Margaret S. Andrews, Rutgers University, will explore the roles played by cyclical and structural characteristics of the U.S. economy in setting politically acceptable modes of government price intervention in agriculture since 1920s, with an assessment of any differences in the political-economic environment for policy in the 1980s.

Katherine L. Clancy, Syracuse University, will investigate linkages among agricultural, food, and nutrition policies and how barriers to improved nutrition policies might be lowered or removed.

Glenn L. Nelson, University of Minnesota, will attempt to broaden the paradigm of neoclassical economics to encompass elements of political economy and will involve a case study of the 1985 Agricultural and Food Act.

Gordon C. Rausser, University of California, Berkeley, will be studying the differential impact of macroeconmic policies versus sector-specific policies on the performance of the U.S. food and agricultural system.

The National Center further announced seven of its first one-year research grants to encourage promising policy analysis or education projects related to food, agriculture, and natural resources to the following researchers and institutions:

David E. Ervin, University of Missouri, for a project, "Conservation Easements: An Integrated Policy Approach to Soil Erosion and Agricultural Supply Control".

Malcolm F. McPherson, Harvard Institute for International Development, will focus on "Biological and Economic Criteria for the Collection, Evaluation, Storage, and Use of Plant Genetic Resources".

Steven C. Ballard, University of Oklahoma, will study "Retirement of Irrigated Lands in the Ogallala Aquifer Region".

Steven B. Lovejoy, Purdue University, will explore "Soil and Water Conservation: Implications of Social and Economic Research for Policy Development and Program Implementation".

Allan Schmid, Michigan State University, will direct a study of "Economic Policy Issues of Emerging Agricultural Biotechnologies: The Impacts of Granting Intellectual Property Rights in Plants".

Walt Peechatka, Soil Conservation Society of America, will lead an analysis of "A Merger of Conservation and Agriculture into Regenerative Production Systems".

Willis L. Peterson and Philip G. Pardey, University of Minnesota, will adddress the "Dynamics of the Agricultural Research - Agricultural Output Relationship".

Jimmye Hillman, University of Arizona, will direct an examination of "Non-Tariff Barriers in International Trade".

For further information about these programs and future applications, contact Linda Pierce, Resources for the Future, 1755 Massachusetts Ave., N.W., Washington, D.C. 20036.

Second Farm and Food System in Transition Publications Released

The third nine leaflets have now been published from the National Cooperative Extension Project on "The Farm and Food System in Transition". (See Policy Research Notes, December 1983 and June 1984 for announcement of earlier issues). They are part of a series of 63 papers designed to provide a comprehensive discussion of the U.S. farm and food system and related public policy issues expected to be on the agenda for the 1980's. Titles of this third installment of papers are:

17. Dorow, Norbert A. The Farm Structure of the Future: Trends and Issues.

18. Leuthold, Raymond M. and Campbell, Gerald R. Commodity Futures Markets and Food System Performance.

19. Armbruster, Walter J. and Jesse, Edward V. Fruit and Vegetable Marketing Orders.

20. White, T. Kelley. The Global Food System and the Future U.S. Farm and Food System.

21. Hillman, Jimmye S. Trade and the U.S. Food and Fiber System.

22. Libby, Lawrence W. Natural Resources and the Food System: An Overview.

23. Batie, Sandra S. Soil Conservation Policy for the Future.

24. Eddleman, B. R. Research and Development for the Future Farm and Food System.

25. Boehlje, Michael. Taxes and Future Food and Fiber System Structure and Performance.

The leaflets are planned for use individually or as sets by readers with specific interests and as a total collection for those seeking a general understanding of the system. Reproduction in whole or part, or adaptation for a specific audience, is encouraged as long as the project and authors are properly cited.

Sponsors of this worthy project are the Extension Committee on Policy (ECOP), USDA-Extension, Michigan State Cooperative Extension Service, and the State Cooperative Extension Services. For individual copies of the above papers or further information about this project, contact the Project Director, Jim Shaffer (other directors and Editors: Vern Sorenson and Larry Libby), Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824-1039.

Publications Planned by Inter-Regional Policy Effort

At the August meeting of the NC-169 Policy Research Group, in conjunction with the AAEA Meetings, Cornell University, the interregional participants further developed their plans for several publications representing various objectives of the project focused on "Analysis of Food and Agricultural Policies in an Uncertain Economic Environment" as follows:

1). U.S. Farmers' Views on Agricultural and Food Policy, a joint regional extension and research publication reporting the results of an extensive seventeen-state coordinated primary sample survey among farmers. The effort represents policy workers and states in all regions of the nation.

2). A regional grain reserves publication reporting the collaborative efforts of researchers in several states and ERS as they have studied the experiences, consequences, and options relative to this important issue in 1985 policy development.

3). Implications of Food and Agricultural Policy on Consumer Welfare, tentative title of a regional publication with contributions from researchers in several regions and ERS who have been investigating the important food aspects of future policy.

4). A publication reporting on a national primary sample survey of the leadership of organizations, agencies, and interest groups participating in agricultural and food policy development, including producers, agribusinesses, consumers, and public policy workers. Results are being analyzed with plans to provide them to 1985 policy decision-makers.

For further information contact Marshall Martin, (Technical Committee Chairman), Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907, or R. G. F. Spitze (Vice-Chairman) 305 Mumford Hall, 1301 West Gregory Drive, University of Illinois, Urbana, IL 61801.

Conference on Roads, Bridges, and Policy

A Mid-America Rural Road and Bridge Conference will be held in Chicago, December 7-8, 1984, sponsored by the Office of Transportation, USDA Office of Rural Development Policy, and Illinois Cooperative Extension Service. Conditions of the rural road infrastructure, its financing, and future directions will be the focus. Topics will include service demands, technological and managerial innovations, and financing options.

For further information, contact David L. Chicoine, Department of Agricultural Economics, 1301 W. Gregory Drive, University of Illinois, Urbana, IL 61801.

Conference Focused on Tobacco and Policy

A tobacco workers conference, particularly for agricultural economics interests, will be held January 7-10, 1985, Pinehurst Hotel, Pinehurst, NC. Discussions will include demand for tobacco, technical change, international considerations, and policy proposals.

For further information, contact W. D. Toussaint, Department of Economics and Business, North Carolina State University, Raleigh, NC 27609.

American Enterprise Institute Announces Policy Conference

The American Enterprise Institute is holding a conference analyzing the farm policy situation and program options, to be held January 28-29, 1985, in Washington, D.C. The conference will be primarily concerned with 1985 farm legislation, but will also address longer-term policy issues.

For more information contact Tom Johnson, AEI, 1150 17th Street, N.W., Washington, D.C. 20036, or Bruce Gardner, University of Maryland, College Park, MD 20742.

Southern Regional Policy Committee Launches Educational Efforts

The Southern Extension Public Affairs Committee (SEPAC) is engaged in several efforts related to current policy issues.

1). A summary is being readied of "Farmers Views on Agricultural Policy in the Southern States", reporting results from the southern states part of the recent seventeen state farmer survey on future policy preferences. Inquire about this summary from Hal Harris, Department of Agricultural Economics and Rural Sociology, Clemson University, Clemson, SC 29631.

2). A three-phrase program dealing with issues of forestry policy and farmland preservation was recently approved by the Committee to be pursued in cooperation with other southern committees, TVA, and the Farm Foundation. It will involve developing and publishing a set of papers presented at a conference, followed by a general meeting of policymakers from across the thirteen state southern region. Inquire about this program from William Givan, Chairman, SEPAC, Cooperative Extension Service, University of Georgia, Athens, GA 30602.

3). A set of leaflets detailing Dairy Policy Alternatives for the 1985 policy development are being prepared under SEPAC's auspicies. Inquire about this publication effort from Ron Knutson, Department of Agricultural Economics, Texas A & M University, College Station, TX 77840.

Newly Proposed AAEA Publication Interests Policy Workers

AAEA had launched a new magazine-type publication effort of particular interest to policy workers, designed to reach and serve a wider leadership audience with reliable, useful information about current economic issues. L. P. Schertz has been selected by the Board as Editor. He states, "The focus of the magazine will be the economics of food and agriculture with particular attention to policy", and "It will include a diverse set of articles and information - all designed to enhance your understanding of policy and participation in policy decision-making".

For further information about this exciting effort or to contribute ideas, contact Lyle P. Schertz, Editor, 12708 Oak Farms Road, Herndon, VA 22071.

Trade Newsnotes Launched

The Federal Extension model project on international agricultural trade at the University of Maryland is publishing AGRICULTURAL TRADE NEWSNOTES. This monthly newsletter is meant to keep extension workers and others with an interest in trade up-to-date on publications, educational materials, resources on current issues, conferences, and seminars and what other extension and research workers are doing in trade.

Inquire about this new educational effort, or send news items, by contacting, Jeff Charlesworth, Department of Agricultural and Resource Economics, University of Maryland, College Park, MD 20742 (301/454-3805).

Home Economics Policy Education Task Force Nears Goals

ECOP, at its summer meeting, has approved the White Paper developed by its Task Force on Public Policy Education in Home Economics. The paper, and an accompanying Program Development Guide and Resource listing will be published some time in early winter, on a cost-sharing basis. Directors and State leaders in Home Economics will soon be receiving notices requesting the numbers of copies needed for state program use. Policy specialists should alert them to individual state needs.

Inquire about this project from Cecelia M. Roland, Cornell Cooperative Extension, 1215 Western Avenue, Albany, NY 12203.

U. S. Farmers' Views on Agricultural Food Policy

A joint regional extension and research bulletin has just been published reporting the combined findings of the agricultural and food policy surveys taken from a sample of farmers in seventeen states during March to June, 1984. Nearly identical questionnaires were used in each state so responses are comparable. Responses were keyed directly to many issues likely to be debated and decided in the development of 1985 agricultural and food legislation. Participating states included: Illinois, Indiana, Kansas, Michigan, Minnesota, Nebraska, Ohio, South Dakota, Wisconsin, Idaho, Washington, Alabama, Florida, Oklahoma, South Carolina, Texas, and Maryland.

Inquire about this impressive effort from the coordinator, Harold D. Guither, 305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801, and request a copy of U.S. Farmers' Views on Agricultural and Food Policy, North Central Regional Extension Publication 227 and Research Publication 300, December, 1984, from Office of Publications, 47 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801.

AGNET Computer System for Policy Analysis Provides Updates

Two updates have been announced for the AGNET Computer System. First, USDA/ERS has put background reports on the AGNET system for fourteen commodities having Federal support programs. Each report typically deals with the structure of the industry, history of the government programs, and the effects of those programs on producers, consumers, and taxpayers. Secondly, the farm program analysis model, which evaluates program participation versus non-participation, has been updated to include complete provision of the 1985 wheat and feed grain programs. In the first three months of 1984, it was used over 7,300 times to provide analysis for farmers, agribusinesses, and policy analysts. AGNET clients can access the model by typing in FARM PROGRAM.

For more information about the AGNET computer system, write AGNET, University of Nebraska, Lincoln, NE 68583-0713, or call (402) 472-1892.

Increasing Understanding Problems and Policies - 1984

The proceedings of the recent National Public Policy Education Conference held at Arlie House, Virginia, Increasing Understanding of Public Problems and Policies - 1984, will soon be available.

Request copies of these proceedings from Farm Foundation, 1211 W. 22nd Street, Oak Brook, IL 60521.

The U.S. Agricultural Technology Delivery System

A three year study under contract with USDA involved examination and documentation of the public and private sectors in the food and agriculture technology delivery system. Land grant universities, private firms, ARS labs, etc. were examined to ascertain linkages for creation, development, and transfer of technologies. Case studies were conducted in six selected technology areas; nine state systems (public and private) were examined in detail; and several commodity groups were studied to determine chains of influence and information.

Inquire about this study from: J. Patrick Madden, Department of Agricultural Economics, 105 Weaver Building, Pennsylvania State University, University Park, PA 16802, and request copies of a related publication, The Agricultural Technology Delivery System: A Study of the Transfer of Agricultural and Food-Related Technologies. December 1984. (5 volumes), from Institute for Policy Research and Evaluation, 253 N. Burrowes, Pennsylvania State University, University Park, PA 16802.

National Planning Association Releases a Policy Review

The National Planning Association, long interested in agricultural and food policy matters, has just published a report as background for upcoming policy development titled, State of American Agriculture, 1984. It deals with an historical review of commodity programs, an assessment of the economic state of American agriculture, and a discussion of selected current policy issues.

Request copies of this publication (cost of $8.00) from National Planning Association, 1606 New Hampshire Ave. N.W., Washington, D.C. 20009.

Symposia Proceedings Released by Centre for Agricultural Strategy

The Centre for Agricultural Strategy, established in 1975 at the University of Reading, England by the Nuffield Foundation, has released two policy-oriented proceedings of symposia: (1) Tranter, R. B. ed.. Strategies for Family-Worked Farms in the UK. CAS Paper 15. 1983. Cost of 7.50 English pounds. (2) Proceedings of a Seminar on Alternative Package of Agricultural Subsidies and Incentives for England and Wales. 1984. Cost of 5.00 English pounds.

Inquire about these publications from the Centre for Agricultural Strategy, University of Reading, 1 Earley Gate, Reading RG6 2AT England.

Empirical Analysis of Dairy Risk and Price Support Interaction

This research project looks at the question of risk and its interaction with the dairy price support policy. Supply functions are fit for 23 states using monthly observations from 1958-1982. Price risk is specified in a number of ways in order to test the concept that the marginal impact of the support price is itself a function of risk and convariance with the other economic activities. The concept was found supported in about half of the cases empirically investigated.

Inquire about this research from Cameron S. Thraen, Agricultural Economics, 2120 Fyffe Road, Ohio State University, Columbus, OH 43210.

Analyzing Dairy Price Support Policies Via Optimal Control

This research applied a dynamic programming technique to derive linear feedback control equations for an analysis of price support policies. The analysis allows trade-offs in policy objectives to be evaluated subject to budget constraints.

Inquire about this work and request a copy of a related paper, "Analyzing Dairy Price Support Policies Via Optimal Control", from Robert B. Wharton, Department of Agricultural Economics, Louisana State University, Baton Rouge, LA 70803.

Management Game on Energy, Environment, Food

A new technique (STRATEGEM-1) for management training has been developed by a team at the International Institute for Applied Systems Analysis. The approach uses battery-powered microcomputers for portability, a sophisticated model of the real system, and physical gaming aids such as boards and markers to facilitate discussion and decision making. The game was developed for AID's course on energy-environment interactions. It has been adopted in ten countries and the full kit is available from IIASA.

Inquire about this policy analysis tool from Dennis Meadows, Director, Resource Policy Center, HB 8000, Dartmouth, Hanover, NH 03755.

Policy Analysis of Plowing Fragile Grassland

The plowing of fragile grassland in eastern Colorado has prompted a policy study into this area. A survey of Weld County, Colorado owners of plowed grassland indicates that the relative prices of wheat and cattle along with credit markets and lenders are the most important factors in the decision to plow grassland. From 1978 to 1983, nearly 600,000 acres of fragile grassland were plowed and converted to dryland wheat production, contrary to the sodbuster bills currently before Congress.

Inquire about the above study and request the related article "Why the Great Colorado Plowout?", Journal of Soil and Water Conservation, July/August 1984, from the author, Paul C. Huszar, Department of Agricultural and Natural Resource Economics, Colorado State University, Fort Collins, CO 80521.

Review of Economic Situation Ahead

Analysis, projections, and prescriptions for the national and North Carolina agricultural economy have been made as part of an Economic and Agricultural Outlook Conference held recently. Speakers included Kemper Baker of the Richmond Federal Reserve, Marc Johnson of N.C.S.U., Bobby Robinson of Clemson, and Keith Scearce of U.S.D.A. Congressman "Kika" de la Garza, Chairman of the House Agriculture Committee delivered the keynote address.

Inquire about the proceedings of this conference from Michael L. Walden, Box 8109, North Carolina State University, Raleigh, NC 27695-8109.

Multi-County Economic Development Workshops Planned

Economic development workshops for community leaders from small towns and rural areas are being planned for winter, 1984-85. They will be one day multi-county efforts on the topics: Essentials for Economic Growth; Evaluating Potentials for Economic Growth; Preparing a Community for Economic Growth; and Factors Influencing Location of Industries in Particular Areas.

Inquire about this educational project and request a related paper, "Economic Growth in North Carolina's Future", Economic Information Report No. 69, April, 1983, from the author, Paul S. Stone, Box 8110, Department of Economics and Business, North Carolina State University, Raleigh, NC 27695-8110.

Economics of Sunflowers for Fuel on Diverted Acres

An analysis was made of the question whether savings in government payments to idle land could be used to subsidize sunflower oil for fuel blended with diesel fuel. The subsidy necessary to make sunflower oil competitive with diesel fuel could not be financed out of reduced payments to idle land for average producers in east central North Dakota.

Inquire about the research and request a copy of a related paper, "Economics of Producing Sunflowers on Diverted Acres", September 1983, from Roger G. Johnson, Department of Agricultural Economics, North Dakota State University, Fargo, ND 58105.

Water Conservation Policy through Drip Irrigation

A research project is underway studying drip irrigation as a water conservation technique in the West. Currently, irrigated agriculture accounts for 85% of all water consumption in the West. Additionally, cotton uses 15% of all groundwater. The use of drip irrigation can reduce water applications on cotton 30-50% compared to conventional systems. Current research is aimed at estimating the profitability of drip systems and giving implications for research and development, and for policies to subsidize the systems.

Inquire about the above research and request a related paper, "Drip Irrigation for Cotton: Implication for Farm Profits", from Harry Ayer, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85721.

INTERRELATIONS OF AGRICULTURAL SCIENCE, EDUCATION AND POLICY

R. J. Hildreth*

The interrelationship of policy with agricultural science and education is growing. This interrelationship has two aspects: 1) the use in the policy process of knowledge developed and disseminated by agricultural science and education and 2) productivity growth due to science and education. Agricultural science and education issues are a subset of policy issues. Title XIV of the 1977 and 1981 Agricultural and Food Acts is a good example. This paper examines the interrelations of 1) agricultural economics, knowledge and policy; 2) agricultural science and education, productivity growth, and policy.

Agricultural Economics Knowledge and Policy

The 1984 Economic Report of the President contains the following quotation:

> "When the Agriculture and Food Act of 1981 was passed, most observers thought that real farm prices would rise through the 1980s. In less than a decade, we have gone from fears of worldwide food shortages to such large stocks that we paid farmers to reduce harvested acres by 55 million acres in 1983." (Page 142).

This quotation illustrates that there was less than perfect knowledge of the consequences of the policy alternatives chosen in the 1981 Act. Agricultural economics knowledge, while never able to predict or forecast with certainty, is extremely important to the policy process. Of course, agricultural economics knowledge is not the only kind of knowledge useful for policy formulation. Sociological, political, as well as biological and physical science knowledge are also important and useful. But perfect knowledge of positive events is not enough, normative knowledge (awareness of goodness and badness) is also required for good policy.

The role of science and education in policy information has two parts. One part is the production of new knowledge which enables better (1) definition of issues, (2) formulation of policy alternatives, and (3) prediction of consequences of policy alternatives. The second part of this role is the dissemination of that knowledge among citizens and decision makers.

Not only is knowledge useful in the formulation of policy, it is also quite useful in the implementation of the alternatives chosen. For example, agricultural economics knowledge of price elasticities in the early days of the agricultural programs was a great boon to both policy formulation and implementation. Not all of the actors understood the consequences of the inelastic demand for farm commodities, but enough did.

The increasing knowledge of the income and wealth distribution effects of the policy alternatives will likely play an important role in the 1985 agricultural and food policy decision process. In spite of data limitations and conceptual difficulties, the public and professional understanding of distributional impacts of policy alternatives is growing. Rausser's formulation (AJAE, 1982, pp. 821-33) of political economic resource transactions (PERTs) and political economic-seeking transfers (PESTs) will aid analysis.

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*Managing Director, Farm Foundation. Portions of this paper were presented at the annual meetings of the American Association for the Advancement of Science May 26, 1984, and of the American Agricultural Economics Association, August 7, 1984.

It is important for citizens as well as decision makers to have and use agricultural economic knowledge. One can view the Congress as a magnificent response system, responding to the desires and needs of articulate citizens, i.e., congressmen want to get re-elected. Thus, the development and implementation of adequate policy depends greatly upon the degree to which citizens have and use knowledge. It is my observation that most Secretaries of Agriculture, after serving their terms, have the same complaint: "Farmers and citizens need more economic education."

Public policy education is an important program in most of the state extension services. Undergraduate courses in economics and policy are a significant way of increasing economic knowledge. A large number of groups are holding conferences in preparation for the 1985 policy. The Curry Foundation, National Center for Food and Agricultural Policy, the National Farm Forum, the American Enterprise Institute, along with the University of Missouri, Clemson University, the University of California, and the University of Minnesota have held or will hold conferences. Congressional hearings and the work of the President's Cabinet Council on Food and Agriculture will inform both the various public and the political actors. In spite of this increased activity it is not likely that an "optimum" Act will be passed in 1985. In fact, the 1988 Economic Report of the President may point out that the observations of most observers were in error. It is my judgment, however, that the 1985 policy will be better than it would have been without the recently developed knowledge and the dissemination of this knowledge.

The rapid change in farming and the agricultural sector in the last few years exemplifies the need for additional knowledge. Related to these changes is one major unresolved issue of knowledge, for example, that has great impact on agricultural policy. Ed Schuh has been the leading proponent of the position that there has been a fundamental shift in the elasticity of demand for U.S. agricultural output. While the inelastic demand for U.S. agricultural commodities has been basic to much past policy, Schuh argues that the increased dependency of U.S. agriculture on international trade has significantly changed the conditions of demand. He holds that foreign demand is relatively price and income elastic, and as trade becomes more important, it is likely that the average elasticity will be substantially greater. He observes that if the price elasticity of demand for the total output of a product is elastic, the basis of our price policy significantly changes, and a price decline would actually increase the total income to producers. He similarly argues that the income elasticity of total U.S. agricultural demand has become substantially less inelastic.

Schuh's position is the subject of much discussion and controversy in the profession. Tweeten has suggested that the elasticities differ in the long run and the short run with a more elastic demand in the long run. To deal with this issue, additional theoretical and empirical work is needed. It is more difficult to measure the elasticity of demand in a world economy with less than perfectly competitive conditions than in a competitive closed economy. Clearly, economists need to work on this issue that is of great importance to agriculture, consumers, and the U.S. society.

Agricultural Science and Education, Productivity Growth, and Policy

In the early history of the United States, productivity growth in agriculture was an important objective. Cochrane documented the factors that led to this productivity growth. The level of general education, as well as agricultural science and education through the USDA Land Grant complex, was very important.

Since the 1930s the policy problem has been perceived as instability of prices and production with a growing tendency for overproduction. With the inelasticity of both price and income components of demand in recent decades, increased productivity and price policy objectives frequently came in conflict. Arguments were often made that policies leading to productivity growth--such as science and education or irrigation development--were in conflict with policy objectives of reducing production. A number of people characterized agricultural policy as driving with one foot on the brake and one foot on the accelerator. Over time these concerns were interspersed with periods when the image of the future was that of shortages. The "Fifth Plate" and great growth in demand in the 1970s led many observers to be happy that investments had been made in agriculture science and education.

The unique systems funding of science and education in the U.S. led to a continuation of public investment during periods of conflict. Much of the agricultural science and education was funded at the state level and the federal funds to the Land Grant complex, in addition to USDA funding, were allocated by formula. Thus, the science and education administrators at the state level had a relatively stable base of federal funds and support from a state legislature which continued to support the development of new technology so its states would not be at a competitive disadvantage with other states.

Productivity growth, sometimes narrowly defined, has been the major objective of agriculture science and education. While this objective productivity growth has been supported by producers, given the inelasticity of demand, the major benefit went to the consumers.

Selected Current Policy Issues in Agricultural Science and Education

Productivity Growth and Competitive Position of U.S. Agriculture. International trade has grown significantly for U.S. agriculture. The U.S. agricultural system is competing with growers from other countries for markets and faces increasing competition from imports of agricultural products. Imports are limited by policy for such commodities as sugar, dairy, and beef. Imports are growing and exports declining for certain commodities due to the relatively high value of the dollar. Even oats for food purposes has been imported into the United States this past year from Scandinavia. Thus, with the U.S. agricultural sector facing increased competition, both from imports and in the export market, productivity growth becomes increasingly important even though some of the current problems are partly due to macroeconomic policy.

Sustaining U.S. Productivity Growth. Ruttan stated several reasons for his concern about the ability of the U.S. agricultural sector to sustain a rate of productivity growth that prevailed during the first three decades after World War II (HortScience, 1983, pp. 809-818). The first is the emphasis of maintenance research relative to productivity enhancing research. Second is the lagging productivity growth in agricultural input industries. His third reason is the lag in public sector research support since the mid-1960s and the more recent slowing of productivity growth indicators. Agricultural science and education is not the only factor explaining productivity growth but it is an important one. Without continued productivity growth the competitive position of U.S. agriculture may well be reduced.

Public and Private Research and Education. The allocation of responsibility for agricultural research and education between the public and private sectors is a continuing issue, with the private sector increasing its proportion of the total effort in recent years. The private sector includes agribusiness firms, foundations,

and similar organizations which not only conduct research and education for themselves but also channel funds to the public sector. In addition, the checkoff program in certain commodities provides funds for public research and education.

When the benefits from a research or education activity are sufficiently concentrated and capturable, it is clear that private firms have incentive to pursue the activity. When the benefits are so pervasive or elusive as to evade capture sufficiently for the sponsoring organization to realize a reasonable return on its investment, it is in society's interest to bear the cost of the research. This had led to a simplistic rule that basic research, which has considerable spillover effects, should be done by the public sector while applied research, yielding products or information with capturable benefits, should be done by the private sector. Ruttan also raises concern about this set of simplistic rules, because there are broad areas of applied research that are not capturable. For example, much of the agronomic research leading to the design of new production practices, minimum tillage, and other conservation practices will not be done at all unless performed by the public sector. He suggests that much of the agricultural industrial research fits an intermediate category where incentive systems have not yet been designed to induce an efficient level of private research from society's point of view.

The institutions, or rules of the game, that determine the property rights to new materials or information determine if the benefits are capturable by private firms. As Adler (Science, 1984, No. 224, p. 362) states: "Intellectual property protection will play a major role in the rate at which biotechnology develops in the United States." Attention needs to be directed to the institutional setting and property rights issue, especially for molecular biology. Much confusion exists among public and private research organizations regarding their relationships, some of which appear to border on using public resources for private firm gain, such as public universities granting exclusive patent rights to grantor corporations for specified time periods.

The Environment and Science and Education Policy. There are many issues growing out of the interdependence of agricultural science and education policy and the natural resource base and the environment. Clearly, the Agricultural science and education system is giving more attention to the impacts of new technology in this area. The research and education efforts in integrated pest management and conservation tillage are two examples. The agricultural science and education community, similar to the private sector, probably suffers from an underevaluation of environmental resource amenities.

However, it can be argued that technological advances of agriculture and the resulting growth in productivity have allowed substantial reduction in acreage of crops on marginal lands highly subject to soil erosion from wind and water. Concern about the environment had led private firms to develop pesticides that kill weeds without harming crops and to attempt concentrations of a few ounces or less per acre, thus lessening the danger of contaminating the soil and ground water. For example, a new herbicide has been reported which inhibits an enzyme essential for weed growth but not for maturation of wheat or other cereal crops. Animals don't have the enzyme, thus the product has low toxicity for animals.

Both the public and private agricultural science and education systems appear to have more incentives now than previously for concern about natural resources and the environment. Although incentives may be sufficiently large that policy actions are not needed, the question still seems open as to whether or not additional policy actions are needed on these sets of issues.

Concluding Remarks

The manner and extent of the public's handling of the issues discussed above will have major impact on the future well-being of U.S. farmers, consumers, agribusiness, and taxpayers. Agricultural science and education issues are subtle and complex, and joint public and private products exist. The lag time between recognizing a public problem, research and education, and the realization of the consequences is very long. Basic advances in social, physical, and biological knowledge can lead to a wide range of applied ideas and products. Thus, uncertainty of the consequences of choosing among alternatives always exists. The interrelationships between agricultural science, education, and policy deserve more of our professional attention.

REVERSION TO PERMANENT LEGISLATION AFTER 1985 1/
by
Tom Fulton*

If the farm and food legislation expiring in 1985 is not replaced, commodity price and income supports will revert to programs provided for in permanent legislation dating in some cases to the 1930's. Permanent legislation would raise support levels and reduce the role of market forces in determining farmer returns.

Reverting to permanent price and income support legislation when the 1981 Agriculture and Food Act expires September 30, 1985 will, depending on the market setting, have a significant impact on agriculture, the general economy, and ultimately the world market for farm products. It would provide for minimum support prices for program commodities set without reference to market conditions. 2/ Support prices would be calculated to assure some minimum degree of parity between the prices farmers receive for their products and the prices they pay for inputs and living expenses, generally using the particularly favorable 1910-14 base period, unadjusted for productivity growth over time that has boosted output per unit of input used. The Secretary is typically required to set support high enough to guarantee farmers 50 to 90 percent of parity.

Even with support prices set at the lower end of this parity range, program commodity price supports would move up sharply in 1986, in some cases above the record high set during the mid-1970's. The U. S. Government, operating through Commodity commodity Credit Corporation (CCC), would be charged with accumulating the stocks necessary to support prices in periods of surplus and disposing of excess stocks in periods of tight supply when open-market prices moved above support levels. Given the direct link between domestic U.S. prices and world market prices, the U.S. Government would also be in the position of having to balance world import demand and export supply to support trade prices at parity-linked levels.

Commodity Program Provisions

The permanent legislation's program provisions are subject to wide interpretation and could ultimately depend in some areas on court interpretation, even though the statutes appear definitive. As amendments to the permanent statutes, legislative authority for most of the farm programs currently in place is provided for in the Agriculture and Food Act of 1981, the Omnibus Budget Reconciliation Act of 1982, the Dairy and Tobacco Adjustment Act of 1983 and the Agricultural Programs Adjustment Act of 1984. Of particular concern are the provisions of these Acts affecting grain, cotton, soybeans peanuts, tobacco, wool, mohair, and milk prices and incomes--provisions commonly referred to collectively as the commodity programs.

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1/ Draws heavily from: Farm Policy Perspectives: Setting the Stage for 1985 Agricultural Legislation, Senate, US Congress.

2/ The program commodities include wheat, corn, barley, rye, oats, sorghum rice, cotton, soybeans, tobacco, sugar, milk, wool and mohair.

Table 1--Status of commodity programs upon expiration of the Agriculture and Food Act of 1981 and subsequent legislation

Program	Permanent Legislation	Expires
Extra-long staple cotton 1/	X	
Upland cotton 1/	X	
Dairy		
Base plans		X
CCC donations to military and veteran hospitals		X
Indemnity program		X
Minimum price support	X	
Feed grains 1/	X	
Peanuts	X	
Rice 1/ 2/	X	
Soybeans 1/ 2/	X	
Sugar 2/	X	
Tobacco	X	
Wheat 1/	X	
Wool and mohair	X	
CCC minimum sales price	X	
Food stamps		X
Payment limitation		X
PL-480 (Titles I & II)		X
Set-aside		X
Reserve program	X	

1/ Although there is permanent legislative authority for wheat, feed grain, cotton, and rice programs, authority for major features of existing programs, such as target prices and set-asides, expires.

2/ These programs would become discretionary with a reversion to permanent legislation.

Should the 1981 Act not be extended or replaced with new legislation, many of these commodity programs and related activities would continue, but as provided for in permanent statutes (table 1). This permanent legislation is contained in most cases in the Agricultural Adjustment Act of 1933 (as amended), the Agricultural Act of 1949 (as amended) the Commodity Credit Corporation Charter Act of 1949 (as amended), and the Agricultural Trade Development and Assistance Act of 1954.

Individual Commodities

Many of the commodity programs would change substantially with a reversion to permanent legislation and program provisions would also vary more widely between commodities than under the current program. The programs under reversion for wheat, cotton, tobacco, and peanuts in particular would be far more complex than currently.

In the case of wheat and cotton, permanent legislation would provide for price supports set at 50 to 90 percent of parity (table 2). The wheat and cotton statutes also provide stronger Government control over supply through acreage allotments and marketing quotas. When mandatory allotments and quotas would be called for, two-thirds of producers voting in a referendum would have to approve.

Table 2--1983 parity prices

Commodity	Unit	Month Proceeding Marketing Year	1983
Barley	$/bu.	May	4.87
Corn	$/bu.	September	5.17
Extra-long staple cotton	$/lb.	July	1.97
Upland cotton	$/lb.	July	1.19
Manufactured milk	$/cwt.	September	20.20
Milk	$/cwt.	September	22.30
Mohair	$/lb.	October	6.61
Oats	$/bu.	May	2.95
Peanuts	$/lb.	July	.44
Rice	$/cwt.	July	21.00
Sorghum	$/bu	September	4.92
Soybeans	$/bu	September	13.10
Tobacco 1/	$/lb.	Annual ave.	2.66
Wheat	$/bu.	May	7.39
Wool	$/lb.	October	2.11

1/ Computed from the annual average parity price

Moreover, legislated minimum allotments and marketing quotas would further limit the Secretary's ability to influence supply. Similar programs providing for higher price supports and weak restrictions on production would be in place for peanuts and tobacco.

Loan rates equivalent to 50 to 90 percent of parity would be in effect for many other program commodities including feed grains, milk, wool and mohair. However, there would be no provision whatsoever for acreage allotments or marketing quotas. Milk purchases, for example, would be made at 75 to 90 percent of parity and dairy farmers would be free to market as much milk as they wished.

Hence, higher price and income support would be a more significant change than mandatory controls on acreage, production, or marketings in a reversion to permanent legislation.

Wheat. Many of the basic elements of the current wheat program would continue with a reversion to permanent legislation. Government operation of a nonrecourse loan program or direct purchases would continue. However, the price-support, acreage-allotment, and marketing quota provisions of permanent legislation would differ substantially from current program provisions.

Permanent legislation ties wheat support levels directly to parity. The specific level of support in effect in a particular marketing year would range from 50 to 90 percent of parity depending on the program options chosen by the Secretary and by producers voting in referendum. Permanent legislation's wheat acreage programs are tied to allotments that specify the maximum acreage a producer can plant in wheat but do not restrict of the diverted acreage use in any other manner. This compares with the current mix of voluntary acreage reduction and cash acreage diversion programs that requires participating producers to put wheat acreage not planted into conserving use.

The Secretary could also be required to call for marketing quotas that make acreage allotments mandatory and provide for different loan rates for wheat marketed for domestic food use, for other domestic uses, and for export. But such a program cannot be implemented without the approval of two-thirds of the wheat producers voting in a referendum.

Permanent wheat legislation provides for the following sequence of events:

1. The Secretary of Agriculture announces an acreage allotment for wheat indicating whether marketing quotas will be in effect for the upcoming crop year by no later than April 15--that is by April 15, 1985, for the 1986 crop.

   a. Quotas are announced if the Secretary expects that, in the absence of quotas, the total supply of wheat in the coming marketing year would be excessive.

   b. A national wheat allotment must be announced regardless of whether quotas are announced.

2. If marketing quotas are not announced, permanent legislation provides for:

   a. no mandatory restrictions on marketings and no penalties on excess production (production for acreage in excess of the allotment);

   b. no land use penalty,

   c. no wheat marketing certificates,

   d. no diversion payments, and

   e. price support through CCC loans and/or direct purchases at 75 to 90 percent of parity to producers who plant within their allotment.

3. If marketing quotas are proclaimed, a national referendum of wheat farmers must be held not later than August 1 of the year prior to the marketing year in which quotas will apply.

4. If marketing quotas are approved by two-thirds or more of the farmers voting in a referendum, permanent legislation provides for:

   a. mandatory restrictions on the amount of wheat producers can market with the maximum set equal to allotment acreage multiplied by normal yields,

   b. land-use penalties for failure to comply with the acreage allotments,

   c. no diversion payments unless the allotment is less than 59.3 million acres, and

   d. a wheat marketing certificate program. This program provides:

      1. loan rates for wheat accompanied by domestic marketing certificates of not less than 65 percent nor more than 90 percent of parity (the value of the domestic certificate is set equal to the difference between the level of price support for wheat accompanied by domestic certificates and the level of price support for wheat not accompanied by certificates).

      2. loans for wheat for domestic nonfood uses and for wheat by export certificates set at a level not in excess of 90 percent of parity, considering world market prices and feed value relationships to feed grains,

3. that exporters must purchase export certificates with net proceeds payable to cooperating farmers, and

4. that domestic processors pay the full value of domestic certificates.

5. If marketing quotas are not approved in referendum, there will be:

   a. no restrictions on marketings and no penalties for excess production,

   b. no land use penalty,

   c. no wheat certificates,

   d. no diversion payments, and

   e. price support through loans and/or direct purchases at no less than 50 percent of parity to producers who comply with their allotments.

The above sequence might be implemented in the following manner. If a reversion to permanent legislation were to appear likely, the Secretary would probably conclude at the start of the 1986 marketing year and in subsequent years, given expected supply-demand conditions, that the supply of wheat (carryover plus expected production) in the coming year appeared to be excessive. Having so determined, the Secretary must then announce an acreage allotment program limiting plantings sufficiently to prevent the build up of excessive CCC stocks.

Under such conditions the Secretary would probably announce a wheat marketing quota in 1986 and in subsequent years through 1990. A cost-conscious Secretary would probably set the loan level for wheat accompanied by domestic food certificates at the minimum 65 percent of parity. The Secretary would also probably set the loan rate for wheat for other domestic uses and wheat for export low enough to make wheat competitive as a feed grain domestically and the United States a competitive supplier internationally.

Under these assumptions, most wheat producers would probably vote against a marketing quota. Returns would be higher and risk lower with the loan rate set at 50 percent of parity (e.g., $3.70 in 1983) for all wheat produced on allotment acreage than than they would be with support at 65 percent of parity for domestic food wheat and essentially the open market price for the remainder of the crop. The geographic distribution of the wheat allotment, using the 1977 base (required by law) for apportionment, would also work against referendum approval. Farmers in the Southeast currently producing 8 to 10 percent of the crop would be apportioned less than 3 percent of a national allotment. Most of these producers would vote against any referendum that restricted them to planting a fraction of the wheat normally included in their wheat-soybean operations.

Feed Grains. Little of the current feed grain program other than nonrecourse loans and authority for direct purchases would continue with a reversion to permanent legislation. Target prices and deficiency payments would cease as would authority for feed grain acreage reduction programs. Section 330 of the Agricultural Adjustment Act of 1938, as amended, provides that acreage allotments not be established for the 1959 and subsequent corn crops. No acreage allotments have ever been authorized for barley, oats, sorghum, or rye.

Under permanent legislation, corn prices would be supported through nonrecourse loans or direct purchases at not less than 50 percent (e.g., $2.54 in 1983) nor more than 90 percent of parity, with the level determined by the Secretary

to prevent the accumulation of excess CCC stocks of corn. Other feed grains would be supported according to their feed value relative to corn (sorghum 91 percent, oats 51 percent, and barley 81 percent respectively).

Rice. Target prices and deficiency payments for rice would cease with a reversion to permanent legislation. Section 601 of the Agriculture and Food Act of 1981 repealed those provisions permanently from earlier legislation relating to acreage allotments and marketing quotas for rice. As a result no price support or production control programs are authorized. It is uncertain, however, whether the Secretary would be required to operate a rice program under the general authority provided for in Section 101 of the Agricultural Act of 1949 or the CCC Charter Act.

Upland Cotton. The upland cotton program under permanent legislation would be similar to the wheat program. Target prices and deficiency payments would cease but the loan and/or direct purchase program would continue. The Secretary would be authorized to announce a national acreage allotment of not less than 16 million acres. The Secretary could also announce a marketing quota subject to approval by two-thirds of producers. Support levels would be set at 65 to 90 percent of parity if quotas were approved, or 50 percent of parity if marketing quotas were disapproved. The level of support would be set between 65 and 90 percent of parity if the Secretary, after reviewing the supply-demand balance for the coming year, decided not to announce marketing quotas.

The upland cotton program would operate as follows:

1. The Secretary announces a National marketing quota upon determining that, in the absence of quotas, supply will exceed "normal" levels. (Normal supply is estimated domestic consumption plus estimated exports for the year, plus 30 percent carryover.)

2. If marketing quotas are not proclaimed, permanent legislation provides for:

    a. no mandatory restrictions on marketings and no penalties on excess production,

    b. no diversion payments or price supports, and

    c. price support to cooperators at 65 to 90 percent of parity, as determined by the Secretary, and to noncooperators not to exceed the rate to cooperators. The Secretary can require compliance with allotments in return for support payments.

3. If marketing quotas are proclaimed and approved by two-thirds or more of cotton producers voting in a referendum, permanent legislation provides for:

    a. marketing quotas and acreage allotments with a minimum allotment of 16 million acres,

    b. no diversion or price support payments, and

    c. price support to producers who comply with the allotment through loans and/or direct purchases at not less than 65 percent nor more than 90 percent of parity, as determined by the Secretary.

4. If marketing quotas are disapproved in referendum, permanent legislation provides for:

   a. no marketing quotas and no penalties on excess production,

   b. no diversion payments, and

   c. price support at 50 percent of parity through loans to and/or direct purchases from producers who comply with their allotments.

5. There is no authority to sell, lease, or transfer cotton allotments.

As with wheat, the Secretary would probably determine at the start of the 1986 marketing year, given expected supply-demand conditions, that cotton supplies were likely to be in excess in the coming year. The Secretary would consequently probably announce the minimum 16 million acre allotment and marketing quotas. While some of the geographic factors at work in wheat would also work against cotton quotas, the fact that the quota's higher loan rate was applicable to all, rather than only a part, of the cotton produced on allotment acreage would probably convince producers to approve quotas. As a result, marketings would be legally restricted and plantings could not exceed 16 million acres.

Extra-Long Staple Cotton. The provisions of the Extra-Long Staple Act of 1983 would remain in force if no new legislation were enacted. The law provides for extra-long staple loan rates set at 150 percent of the upland cotton loan rate and extra-long staple target prices set at 120 percent of the extra-long staple loan rate. The law provides for the continuation of voluntary acreage reduction programs at the discretion of the Secretary, but with loan and target benefits tied to compliance.

Soybeans. The Secretary has had discretionary authority to implement a loan and purchase program for soybeans since 1949, but has generally (with the exception of the 1982-85 crops) not done so. If the 1981 Act expires, discretionary authority for the program remains.

Peanuts. The peanut program under permanent legislation would not differ substantially from the current program. Under a reversion to permanent legislation it is likely to assume that the Secretary would announce a national marketing quota of not less than 1.61 million acres times normal yield. If two-thirds of the farmers approved the quota in a referendum, it would be effective for subsequent calendar years. It would also provide for penalties for farmers marketing peanuts in excess of their quota and for farmers marketing peanuts from any farm without an allotment. If the quota was approved, support would be set between 75 and 90 percent of parity. If the referendum was not approved, support would be set at 50 percent of parity and all farmers would be eligible for price support.

Dairy. A reversion to permanent legislation would leave the structure of the dairy program unchanged from wheat prevailed for many years prior to the temporary enactments of 1984, but would raise support prices sharply. The support price for milk would be set between 75 and 90 percent of parity at the discretion of the Secretary. The Secretary would probably choose the minimum 75 percent of parity (e.g. $15.15 1983) which would become effective October 1, 1985 if current legislation is not replaced.

Tobacco. The existing tobacco program is operated as a continuing revision of permanent legislation. There is a farmer-approved mandatory marketing quota of 647 million pounds in effect for 1983 burley tobacco with a national average loan level of $1.75 per pound. For flue-cured tobacco, the marketing quota is 887 million pounds for 1983 with a national average loan level of $1.70 per pound. There is an acreage allotment of 457,516 acres for 1983 flue-cured tobacco.

Sugar. The Secretary has discretionary authority under permanent legislation to operate a support program for beet and cane sugar at levels not in excess of 90 percent of parity.

Wool and Mohair. After December 31, 1985, if new or continuing legislation is not enacted, the Secretary would have discretionary authority to support the price of wool and mohair at not more than 90 percent of parity under Title III of the Agricultural Act of 1949. There is no statutory authority for payments to be made directly to producers.

Other Program Changes Under Reversion

Payment Limitations and Grain Reserves. The Agriculture and Food Act of 1981 sets a limit of $50,000 on the total payment any producer can receive annually under the 1982-85 wheat, feed grain, cotton and rice programs. There would be no such limitation under permanent legislation, although elimination of deficiency payments and the channeling of supports through nonrecourse loans would tend to keep direct payments relatively small.

If a reversion to permanent legislation occurred, the authority to operate a grain reserve would continue under a provision made permanent in the 1981 Act.

Food Aid Programs. No new agreements under Title I or assistance programs under Title II of PL-480 could be negotiated after December 1985 if a reversion to permanent legislation occurred.

Export Credit Programs. The export credit programs originally authorized under the CCC Charter Act would continue.

Food Stamp Program. Funding for the Food Stamp Program would expire if no new legislation were passed by September 30, 1985.

CCC Minimum Sale Prices. Effective for the 1986 crop year, the CCC minimum sales price for wheat, feed grains, and other basic and storable nonbasic commodities would be 115 percent of the current loan rate for the commodity plus reasonable carrying charges. If a wheat marketing allocation program is in effect, the prevailing support price is defined as the support price accompanied by a marketing certificate. If a grain reserve program is in effect, the resale minimum would be 110 percent of the prevailing release level for CCC wheat and feed grains as per the 1981 Act.

Whenever the Secretary determined that the carryover at the end of any marketing year of a price-supported commodity, for which a voluntary adjustment program was in effect, would be less than 25 percent (35 percent for wheat) of the estimated export and domestic consumption during that marketing year, CCC could not sell any of its stocks for unrestricted use at less than 115 percent of the prevailing support level plus carrying charges. Wheat could not be sold for less than 120 percent if wheat carryover stocks were less than 25 percent of estimated exports and domestic consumption.

Cottonseed-Soybean Support Price Relationship. If prices of either cottonseed or soybeans were supported, the Secretary would be required to support the price of the other to cause them to compete on equal terms in the market.

Economic Consequences

A report, which examines the economic consequences of reverting to permanent legislation or of eliminating price and income support programs entirely is currently under preparation within the Economic Research Service, USDA. The reversion to permanent legislation is described above, while the no price and income support scenario would involve removing any kind of intervention in the market by the Government. Farmers would depend entirely on private market supply and demand forces to set commodity prices and incomes.

A decision to revert to permanent legislation in the slow-growth market assumed in the above cited study would affect program commodity producers initially but its effects would spread quickly through the rest of the farm sector and the agribusiness complex. Total receipts to producers would likely substantially increase. Under permanent legislation, the nonrecourse loan or direct purchase programs used to support parity-linked prices would guarantee producers a Government outlet for their products in most cases with little or no restriction on the volume produced.

High support prices and a guaranteed outlet for their products would encourage program commodity producers to expand output without regard for market demand. Farm operators producing commodities not eligible for support would face higher prices for feed and stiffer competition for inputs from program commodity producers. Permanent legislation would also work among program commodity producers to shelter inefficient operators and force efficient operators to compete with them for production inputs. The resulting bidding for production inputs, combined with pressure to develop new capacity, could generate significant increases in production expenses that might offset as much as two-thirds of the expected increase in receipts under a reversion to permanent legislation.

Much of the increased output likely under permanent legislation would probably accumulate as CCC stocks as higher support prices not only encouraged growth in production but also discouraged growth in demand. Foreign demand for U.S. farm products could weaken even more sharply. Consumer costs would likely increase as a result of permanent legislation's higher commodity prices and Treasury costs would be heavy from the large-scale public expenditures in support of farm prices.

Permanent legislation would benefit some but damage other industries associated with agriculture. Stronger demand for purchased inputs would allow the fertilizer, farm machinery, and other input industries to operate their plants more fully. Other agribusinesses, such as the food transportation, processing, and marketing industries would fare less well. This reduced activity could more than offset increases in farming and the input industries. The fiscal consequences of reverting to permanent legislation would also be significant enough, if the policy were pursued for any length of time, to affect adversely the performance of the general economy.

AGRICULTURE-FOOD POLICY DECISION UPDATE

by Tom Fulton*

Table 1--Commodity Program Levels

Commodity	1982	1983	1984	1985
Wheat				
Target price ($ per bu)	1/4.05	1/4.30	4.38	4.38
Loan level ($ per bu)	1/3.55	1/3.65	3.30	3.30
Reserve loan level ($ per bu)	4.00	1/3.65	3.30	N.R.
Reserve release level ($ per bu)	4.65	4.65	N.R.	N.R.
Acreage reduction (percent)	15	15	20	20
Paid land diversion (percent)	--	5	10	10
Payment-in-kind (percent)	--	2/10-30	7/10-20	--
Nat'l base acreage (mil acres)	90.6	90.8	93.9	N.R.
Corn				
Target price ($ per bu)	1/2.70	1/2.86	1/3.03	3.03
Loan level ($ per bu)	1/2.55	1/2.65	2.55	2.55
Reserve loan level ($ per bu)	2.90	1/2.65	2.55	N.R.
Reserve release level ($ per bu)	3.25	3.25	N.R.	N.R.
Acreage reduction (percent) 3/	10	10	10	10
Paid land diversion (percent) 3/	--	10	--	--
Payment-in-kind (percent)	--	2/10-30	--	--
Nat'l base acreage (mil acres)	81.5	4/101.1	81.4	N.R.
Grain Sorghum				
Target price ($ per bu)	2.60	2.72	2.88	2.88
Loan level ($ per bu)	2.42	2.52	2.42	2.42
Reserve loan level ($ per bu)	2.75	2.52	2.42	N.R.
Reserve release level ($ per bu)	3.10	3.10	N.R.	N.R.
Acreage reduction (percent) 3/	10	10	10	10
Paid land diversion (percent) 3/	--	10	--	--
Payment-in-kind (percent)	--	2/10-30	--	--
Nat'l base acreage (mil acres)	17.7	4/101.1	18.4	N.R.
Barley				
Target price ($ per bu)	2.60	2.60	2.60	2.60
Loan level ($ per bu)	2.08	2.16	2.08	2.08
Reserve loan level ($ per bu)	2.37	2.16	2.08	N.R.
Reserve release level ($ per bu)	2.65	2.65	N.R.	N.R.
Acreage reduction (percent) 3/	10	10	10	10
Paid land diversion (percent) 3/	--	10	--	--
Nat'l base acreage (mil acres)	10.4	4/19.1	11.6	N.R.
Oats				
Target price ($ per bu)	1.50	1.60	1.60	1.60
Loan level ($ per bu)	1.31	1.36	1.31	1.31
Reserve loan level ($ per bu)	1.49	1.36	1.31	N.R.
Reserve release level ($ per bu)	1.65	1.65	N.R.	N.R.
Acreage reduction (percent) 3/	10	10	10	10

Continued--

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Table 1--Commodity Program Levels--Cont.

Commodity	1982	1983	1984	1985
Oats Cont.				
Paid land diversion (percent) 3/	--	10	--	--
Nat'l base acreage (mil acres)	10.4	4/19.1	9.9	N.R.
Rye				
Loan level ($ per bu)	2.17	2.25	2.17	2.17
Soybeans				
Loan level ($ per bu)	5.02	5.02	5.02	N.R.
Upland Cotton				
Target price (cents per lb)	1/71.00	1/76.00	1/81.00	1/81.00
Loan level (cents per lb) 5/	57.08	1/55.00	1/55.00	57.30
Acreage reduction (percent)	15	20	25	20
Paid land diversion (percent)	--	5	--	10
Payment-in-kind (percent)	--	2/10-30	--	--
Nat'l base acreage (mil acres)	15.3	15.4	15.6	N.R.
Extra Long Staple (ELS) Cotton				
Target price (cents per lb)	--	--	1/99.00	99.00
Loan level (cents per lb)	99.89	96.25	1/82.50	85.95
Acreage reduction (percent)	--	--	10	10
Nat'l marketing quota (1,000 bales)	157	102	--	--
Nat'l allotment (1,000 acres)	120.2	80.1	--	--
Nat'l base acreage (1,000 acres)	--	--	68.3	N.R.
Rice				
Target price ($ per cwt)	5/10.85	5/11.40	5/11.90	11.90
Loan level ($ per cwt)	8.14	8.14	8.00	8.00
Acreage reduction (percent)	15	15	25	20
Paid land diversion (percent)	--	5	--	15
Payment-in-kind (percent)	--	2/10-30	--	--
Nat'l base acreage (mil acres)	4.0	4.0	4.2	N.R.
Flue-cured Tobacco				
Loan level (cents per lb) 5/	169.9	169.9	169.9	N.R.
Effective marketing quota (mil lbs)	977	892	840	N.R.
Burley Tobacco				
Loan level (cents per lb) 5/	175.1	175.1	175.1	N.R.
Effective marketing quota (mil lbs)	778	641	697	N.R.
Peanuts				
Loan level, quota ($ per ton) 1/	550	550	550	N.R.
Loan level, non-quota ($ per ton)	200	185	185	N.R.
Marketing poundage quota (1,000 tons)	6/1,200	6/1,167	6/1,134	N.R.
Wool				
Support level (cents per lb) 5/	137	153	165	N.R.

Table 1--Commodity Program Levels--Continued

Commodity	1982	1983	1984	1985
Mohair				
Support level (cents per lb) 5/	397.7	462.7	516.9	N.R.
Sugar				
Loan level for raw cane (cents per lb)	1/17.00	17.50	17.75	N.R.
Loan level for refined beets (cents per lb)	20.15	20.86	20.76	N.R.
Honey				
Loan level (cents per lb)	60.4	62.2	65.8	N.R.

N.R. = Not Released.
1/ Minimum allowed by law.
2/ Producers could choose any level of participation from 10 to 30 percent, inclusive. However, for upland cotton producers, the sum of the PIK acres plus the paid diversion acres could not exceed 30 percent of the base, therefore participants who elected to participate in the paid diversion would decrease their PIK acreage to 25 percent of the base. Producers also had the option of submitting bids to remove their entire crop-specific acreage base from production, this feature was not continued in the 1984 PIK.
3/ There are two established bases for the 1982-85 acreage reduction programs for feed grains: one for corn and sorghum; the other for barley and oats.
4/ Combined totals: corn and sorghum; barley and oats.
5/ Determined by statutory formula.
6/ The marketing quota was suspended by the 1981 Farm Bill, but the poundage quota was retained.

POLICY THROUGH ADMINISTRATION

Grains and Cotton

1985 Wheat Program announced.--On June 14, Secretary John Block announced provisions of the 1985 wheat program and set the sign up period for October 15 through March 1, 1985. The program includes: a \$3.30 per bushel national average loan rate and a \$4.38 per bushel target price, an acreage reduction of 20 percent and a 10 percent paid land diversion.

Producers may request 50 percent of their projected deficiency and diversion payments when they sign up. USDA is estimating the deficiency payment rate at \$1.08 per bushel. The land diversion payment rate has been set at \$2.70 per bushel.

To be eligible for program benefits, producers must limit 1985 wheat acreage to no more than 70 percent of the farm's wheat base. They must also dedicate at least 28.57 percent of the farm's 1985 planted wheat acreage plus 10 percent of the farm's wheat base. The 1985 acreage base will be the average of the acreage planted and considered planted to wheat in 1983 and 1984.

Land designated for an acreage conservation reserve must have been devoted to row crops or small grains in 2 of the last 3 years except for a summer fallow farm. Summer fallow rules will be the same as those in effect for the 1984 programs. Haying will not be permitted on acreage conservation reserve acreage. However, the acreage may be grazed except during the five principal growing months as designated by the local county ASCS committee. In the event of a natural disaster, emergency haying and grazing privileges may be granted. Approval will be made on a county-by-county basis. This year, as in the past, offsetting and cross compliance will not apply and liquidated damages will apply for those producers who sign contracts and fail to comply.

There will be no immediate entry in the farmer-owned reserve for the 1985-crop of wheat. USDA intends to review the size of the reserve before regular price support loans for the 1985 crops reach maturity. At that time it will be determined whether entry into the reserve will be permitted.

1985 Upland Cotton Program announced.--On September 14, Secretary John Block announced provisions of the 1985 upland cotton program and set the signup period for October 15 through March 1, 1985. The program includes: an 81 cent per pound target price, a 57.3 cents per pound loan rate, an acreage reduction requirement of 20 percent and a 10 percent paid land diversion. The loan rate applies to Strict Low Middling 1-1/16 inch cotton at an average location in the U.S.

Producers may request 50 percent of their projected 1985 deficiency payments and 50 percent of their 1985 diversion payments when they sign up. USDA is estimating the deficiency payment rate at 19.80 cents per pound. The land diversion payment rate has been set at 30 cents per pound. This is based on the per pound payment rate times the farm yield times the acres diverted. Both advance payments will be one-half the above rates.

To be eligible for program benefits, a producer must agree to limit upland cotton acreage planted for harvest to not more than 70 percent of the farm's upland cotton base and devote to an acreage conservation reserve eligible cropland equal to 28.57 percent of the 1985 planted acreage plus 10 percent of the applicable upland cotton base.

For the program, the 1985 acreage base will be the average of the acres planted and considered planted to upland cotton in 1983 and 1984. Land designated as conservation reserve acreage must have been devoted to a row crop or small grains in two of the last three years. For summer fallow acreage, the cropping requirement is the same as the past two years. Haying will not be permitted on acreage conservation land. However, the acreage may be grazed except during the five principal growing months as designated by the local county ASCS committee. In the event of a natural disaster emergency haying and grazing privileges may be granted. Approval will be made on a county-by-county basis. This year, as in the past, offsetting and cross compliance will not apply and liquidated damages will apply for those producers who sign contracts and fail to comply.

Recourse loans will be available for seed cotton. The seed cotton will be adjusted to a lint basis and the loan rate applicable to lint cotton will be used.

1985 Extra Long Staple (ELS) Cotton Program Announced.--As with upland cotton, Secretary Block announced provisions of the 1985 ELS cotton program September 14 and the sign up period will be from October 15 through March 1, 1985. The program includes a target price of 103.14 cents per pound or 120 percent of the ELS cotton loan rate of 85.95 cents per pound, a rate itself that must be at

least 150 percent of the upland cotton base loan rate. There is also a 10 percent acreage reduction requirement for the 1985-crop of ELS cotton.

To be eligible for price support benefits, producers may plant no more than 90 percent of their established base. The 1985 acreage base will be the average of the acres planted to ELS cotton in 1981, 1982 and 1983, including acres prevented from being planted by conditions beyond the producer's control. As with upland cotton, acreage conservation reserve acres must have been devoted to row crops or small grains in two of the past three years, for summer fallow acreage, the cropping requirement is one of the last two years. Haying, offsetting and cross compliance provisions are the same as for the 1985 upland cotton program.

1985 Feed Grains Program Announced.--Also on September 14, Secretary Block announced a 10 percent acreage reduction requirement for participants in the 1985 feed grain program. As with the cotton programs, sign up for the 1985 feed grains program will be from October 15, through March 1, 1985. Producers may request 50 percent of their projected 1985 deficiency payments when they sign up. USDA is estimating that per bushel deficiency payment rates will be: corn, 47 cents; sorghum, 46 cents; barley, 44 cents; and oats, 0 cents. Advance payments will be half these amounts. Price support loan and purchase rates and target prices will be the same as those in effect for the 1984 crops. Loan and purchase rates, per bushel, will be: corn, $2.55; sorghum, $2.42; barley, $2.08; oats, $1.31; and rye, $2.17. Target prices for the 1985 crops will be: corn, $3.03; sorghum, $2.88; barley, $2.60; and oats, $1.60.

To be eligible for program benefits, a producer must agree to limit corn, sorghum, oats and barley acreage planted for harvest to not more than 90 percent of the farm's feed grain base and devote to an acreage conservation reserve an acreage of eligible cropland equal to 11.11 percent of the planted acreage. As under the 1984 program, two bases will be established for determining permitted acreages--one for corn and sorghum, and one for barley and oats.

The 1985 acreage base will be the average of the acreage planted and considered planted to feed grains in 1983 and 1984. Land designated for the acreage conservation reserve must have been devoted to row crops or small grains in two of the last three years except for a summer fallow farm. In the case of summer fallow, the cropping requirement is for one of the past two years. The land must be protected from wind and water erosion throughout the year. As in the cotton programs, offsetting, and cross compliance will not apply to the 1985 program. The haying provisions are the same as for cotton also. And contracts will be considered as binding.

There will be no immediate entry into the farmer-owned reserve for the 1985-crop of feed grains. USDA intends to review the size of the reserve before regular price support loans for the 1985 crops reach maturity. At that time it will be determined whether entry into the reserve will be permitted.

Grading Standards for Corn, Oats, Sorghum and Soybeans.--The USDA will no longer use moisture content as a grade-determining factor in the U.S. standards for corn, sorghum and soybeans, beginning September 9, 1985. However, USDA will continue to require moisture content to be stated on all official inspection certificates that show the official grade. Moisture content is not a grade-determining factor in the U.S. standards for wheat, barley, oats, triticale and rye. Effective September, 1985, the USDA will also clarify sample grade requirements and include a definition for "distinctly low quality" in its official corn standards.

1985 Rice Program Announced.--As with the cotton and feed grains programs, Secretary Block announced provisions of the 1985 rice program on September 14, 1984. The 1985-rice crop target price will be $11.90 per hundredweight (cwt) and the national average loan rate will be $8.00 per cwt. Other provisions include a 20 percent acreage reduction and a 15 percent paid land diversion. Producers may request 50 percent of their projected 1985 deficiency payments and 50 percent of their 1985 diversion payments when they sign up. USDA estimates the deficiency payment rate at $3.80 per cwt. The land diversion payment rate has been established at $3.50 per cwt. The total land diversion payment is based on the per cwt payment rate times the farm yield times the acres diverted. Advance diversion and deficiency payments will be one half the above amounts.

The whole kernel loan rates per pound will be 14.53 cents for long grain and 10.50 cents for medium and short grain. The broken kernels rate is 6.02 cents per pound. To be eligible for program benefits, producers must limit 1985 rice acreage to no more than 65 percent of the farm's rice base. The must also devote at least 30.77 percent of the farm's 1985 planted rice acreage plus 15 percent of the farm's rice acreage base to conserving uses. Land designated for an acreage conservation reserve must have been devoted to a row crop or small grains in two of the last three years. The 1985 acreage base will be the average of the acreage planted and considered planted to rice in 1983 and 1984. Haying and grazing restrictions as the same as for the other program announcements as are the off setting and cross compliance provisions. Program contracts signed by participants will be binding and provide for liquidated damages for failure to comply.

Triticale Standards.--USDA is proposing to revise the way it will grade triticale that contains castor bean seeds or smut. The proposal would reduce the number of castor bean seeds allowed in a 1,000 gram sample of triticale from two to one. "U.S. Sample Grade" would then be assigned. The proposal eliminates the requirement that renders triticale sample grade when contamination by smut is so great that one or more of the grade requirements cannot be determined.

Flaxseed Standards.--USDA is proposing to delete requirements that flaxseed with a moisture content greater than 9.5 percent be graded "sample grade." The proposal would also revise the flaxseed standards to include limits for nongrain substances that cause the seed to be graded "U.S. Sample Grade."

Oilseeds and Tobacco

Peanut Program Changes.--On September 26, USDA asked for comments on an interim rule that changes the regulations governing warehouse and storage loans and handler operations for the 1984 and 1985 peanut crops. Under certain circumstances, handlers may sell "contract additional" peanuts into the domestic market provided a like quantity of quota peanuts of the same area, type and screen size is exported. Another change will standardize the deduction for moisture from the gross weight of farmer stock peanuts at 7 percent for all producing areas for the 1984-85 peanut crops.

1984-Crop Soybean Loan and Purchase Rate.--The 1984-crop soybean loan and purchase rate will be $5.02 per bushel, the minimum allowed by law. Changes in area-to-area relationships, prices received by farmers, and trends in production resulted in USDA making the following adjustments from the 1983 rates: Delaware was increased 4 cents per bushel; Louisiana, Maryland, North Carolina, South Carolina, Tennessee and Virginia were increased by 2 cents per bushel; North Dakota, Texas and Wisconsin were decreased by 3 cents per bushel; and Kansas, Minnesota, and Nebraska were decreased by 2 cents per bushel.

1984-Crop Price Support for Burley and Other Tobaccos.--Price support levels for Puerto Rican cigar filler tobacco was lowered from 90.9 cents per pound to 74 cents per pound, burley and five other kinds are unchanged from 1982 and 1983 levels, they are:

Kind	1984 Support Level ($)
Burley (type 31)	1.751
Fire-cured (type 21)	1.188
Fire-cured (types 22-23)	1.230
Dark air-cured (types 35-36)	1.057
Sun-cured (type 37)	1.094
Cigar binder and filler (types 42-44, 53-55)	0.907
Puerto Rican Cigar filler (type 46)	0.740

Imported Tobacco Inspections.--USDA has approved rules governing the inspection and grading of imported tobacco. The rule set a fee covering the cost of such services to be collected from the importers at $.0035 per pound.

Tobacco Producer Assessments.--To obtain price supports on 1984-crop dark air-cured (types 35-36), fire-cured (types 21-23) and sun-cured (type 37) tobaccos, producers must agree to pay assessments on all marketings for deposit in no net cost accounts. The assessments are: 3 cents per pound for dark air-cured tobacco; 2 cents per pound for fire-cured as well as sun-cured; 8 cents per pound for Ohio filler (types 42-44); 5 cents per pound for northern Wisconsin binder (type 55), and 2 cents per pound for southern Wisconsin binder (type 54). Producers who do not agree to contribute to the no net cost account will be ineligible for price support and subject to a per pound penalty of $1.13 for types 35 and 36 dark air-cured, 95 cents for type 21 fire-cured, $1.36 for types 22 and 23 fire-cured and 99 cents for type 37 sun-cured and 79 cents per pound for filler and binder tobaccos on all tobacco marketed.

Payments for Flue-Cured Tobacco Allotment and Quota Leases.--USDA has determined that, in cases where tobacco is grown on the farm where the allotment and quota are established, it is not practicable to require that none of the consideration for the lease of the allotment and quota has been or will be paid until after the tobacco is marketed.

Tobacco Import Task Force.--Secretary John Block has formed a task force to prepare the USDA's study and testimony for the International Trade Commission's investigation of tobacco imports. The investigation is to determine whether imports are interfering with the price support and production adjustment programs for tobacco.

Fruits and Vegetables

California and Arizona Navel and Valencia Oranges.--On July 13, USDA proposed changing marketing orders for California and Arizona Navel and Valencia oranges. The proposals would provide for marketing incentive allotments; authorize generic advertising; make changes in the administrative committees; provide tenure requirements for committee members; and make a number of additional administrative changes. The proposals must be approved in referendum of eligible producers.

Canned Sweetpotato Standards.--USDA is proposing to revise the voluntary U.S. standards for grades of canned sweetpotatoes. the proposed rule would change the criterion for determining uniformity of size by basing this factor on the 95 percent most uniform sweetpotatoes, disregarding 5 percent or one sweetpotato, whichever is greater. The current rule criterion is 90 percent.

Sweeteners

Extracted Honey Standards.--USDA is proposing to revise the voluntary U.S. grade standards for extracted honey. The proposed rule would: provide for the addition of a style of strained honey; expand and update the values for soluble solids; remove the screen test method for the determination of defects; change the tolerance for color designations to be in line with the tolerance for grade determinations; replace dual grade nomenclature with single letter grade designations; and change the format of the standards to include definitions off terms and easy-to-read tables.

1984-Crop Sugar Beets and Sugar Cane.--On September 24, Secretary John Block announced a national average loan rate of 17.75 cents per pound for the 1984 crop of domestically grown sugar cane, the statutory minimum. the loan rate for refined beet sugar made from the 1984 crop will be 20.76 cents per pound. This is calculated by multiplying the cane sugar loan rate times a factor that takes into account the difference in selling price between beet and cane sugar, and then adding the fixed marketing expenses incurred by beet processors.

1984-85 Sugar Import Quota.--The U.S. sugar import quota for the 1985 quota year (Oct. 1 to Sept. 30) will be 2,552,000 short tons, raw value. The fee on imports of raw sugar during the Sept. - Dec. quarter of 1984 will remain at 0 cents per pound. The fee has been 0 since late 1982.

Livestock

Emergency Feed Assistance.--On November 8, Secretary John Block announced that the types of grain available to livestock producers was being expanded to include CCC-owned lower grade grain sorghum, oats, barley and wheat in addition to the lower grade corn already available. To be eligible to purchase lower grade feed grain, producers must show that their livestock feed production is inadequate to maintain their foundation stock and poultry for a 90-day feeding period, which begins the day a farmer applies for assistance. Lower grade feed grain and wheat includes grain of U.S. No. 4, 5 and sample grade. Lower grade grain sorghum, oats, barley and wheat are being included because most of the lower grade corn has now been sold to eligible livestock producers. The grain will be sold to producers at 75 percent of the current basic county loan rate of the applicable commodity for the average quality of the available grain in the county where it is stored. Producers are responsible for transportation costs to move the grain to their farms.

Canned Pork Purchases.--USDA announced on October 5, that it would begin purchasing canned pork with natural juices in an effort to stabilize hog prices. The canned pork will be donated to schools and other domestic feeding programs.

1984 Wool and Mohair Support Level.--Support prices for wool and mohair for 1984 marketings are $1.65 per pound for shorn wool and $5.169 per pound for mohair. Mohair is supported at the same percent of parity as wool. As in past year's, shorn wool payments will be based on a percentage of each producer's returns from sales.

Dairy

Southeastern Milk Marketing Orders.--The USDA has issued temporary amendments to 12 Federal milk marketing orders in the southeastern States. The amendments would: add 20 cents per cwt to the Class I differential of 10 milk orders between September 1, 1984 and February 28, 1985; provide for hauling credits

out of the respective pools during the same period for supplemental milk bought from other Federal order markets; amends the base-excess plans of six orders to allow producer bases to be interchangeable among the orders during the September 84 - August 85 period.

Dairy Promotion Board.--The National Dairy Promotion Board approved a $50.6 million contract for an advertising program to increase consumption of milk and dairy products. The contract is with the Dairy Promotion Federation Association which will purchase television and print advertising during September 1984 through April 1985.

Natural Resources

Emergency Flood Protection.--The USDA has allocated $23 million for flood protection since October 1, 1983. Secretary Block has transferred $2 million from the emergency jobs appropriation act for emergency flood protection.

TVA Erosion Control Agreement.--On August 2, Secretary Block and the Tennessee Valley Authority signed an agreement committing the two agencies to reducing soil erosion in a seven State area. The agreement involves a program of information and education and research and pilot projects aimed at reducing serious soil erosion in 20 counties in the seven States.

Interim National Forest Payments.--Forty-one States and Puerto Rico received $158 million in interim payments from national forest receipts collected in FY 1984. By law, the Forest Service makes available 25 percent of the revenues it collects from timber sales, grazing, recreation, mineral and land uses on the national forests to States where the national forests are located. Last year, the States received total payments of more than $193 million as total share of these receipts.

Pest Control

Acarine Mites.--On August 14, 1984 the USDA announced it was establishing regulations to help prevent the spread of the acarine mite, an internal parasite of honeybees first detected in July in the lower Rio Grande Valley of Texas. The Federal regulations restrict the interstate movement of bees, beeswax, used beekeeping equipment and certain related articles from the regulated area. Parallel State regulations are being established to cover movement within Texas. USDA also confirmed the presence of the mite in Louisiana, Nebraska, South Dakota, New York and Florida.

Avian Flu.--USDA has set specific standards for releasing areas in Pennsylvania and Virginia from existing State-Federal quarantines for avian influenza. The standards are: all premises where positive cases were identified will not be released until at least 30 days after proper cleaning and disinfection; all known exposures related to flocks infected with avian influenza must have been traced and fully evaluated; and investigation must have been completed covering all cases of disease in poultry that could be due to avian influenza traceable to the 1983 outbreak in Pennsylvania. All such cases must have been found negative. USDA declared Virginia free of avian flu on September 14, and most of Pennsylvania on October 4.

Bovine Tuberculosis.--The USDA on November 15, declared Oklahoma the 26th State to eradicate bovine tuberculosis. Oklahoma's last infected herd was eliminated in March 1979.

Brucellosis.--The USDA on August 8, declared Wisconsin the 18th State to eradicate cattle brucellosis. And, on October 31, USDA declared Illinois the 26th State to eradicate swine brucellosis.

Citrus Canker.--On September 12, USDA declared a citrus canker emergency in Florida. On September 13, a State-Federal task force began burning citrus trees in Florida to eradicate the canker first detected there on August 27. On September 14, USDA put the entire State of Florida under an emergency quarantine that for the time being stopped interstate movement of Florida citrus. On October 16, USDA announced that it was declaring an extraordinary emergency effective October 17 to provide funds for cost-sharing indemnification to nursery owners. All indemnification costs will be shared equally by USDA and the State. On October 25, USDA announced expansion of the indemnification program to include transplants from infested nurseries set out by Florida citrus grove owners.

Fire Ants.--The USDA is expanding the areas regulated to prevent the spread of imported fire ants. Imported fire ant regulations restrict the movement of regulated articles from all or parts of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Texas and Puerto Rico.

Fruit Fly.--On July 5, USDA announced that it had established emergency regulations to restrict movement of 81 different kinds of produce and plants from the Miami area to prevent the spread of Mediterranean fruit flies. On September 6, USDA announced that it had quarantined part of Los Angeles county to prevent the spread of the oriental fruit fly.

Gypsy Moth.--On October 22, USDA announced that a 1,100 square-mile area near Eugene, Oregon had been designated a high-risk area for gypsy moths and was now regulated to prevent their spread.

Khapra Beetle.--USDA is proposing tightening import restrictions to keep the Khapra beetle out of the United States.

Newcastle Disease.--On October 22, USDA announced that it had confirmed Exotic Newcastle disease in pet birds on the Hawaiian island of Oahu, and had quarantined the affected premises.

Finance

President's Farm Credit Initiative.--On September 18, President Reagan announced a transitional program of additional farm credit. Under the plan, the Farmer's Home Administration will: reschedule up to 25 percent of a qualifying farmer's loan, to a maximum of $200,000, for as long as 5 years with no interest payments; and guarantee a non-FmHA borrower's farm loan if the lender is willing to write off a minimum of 10 percent of the loan, up to the amount necessary to achieve a positive cash flow for the borrower. As another part of the President's initiative the FmHA will contract with local farm financial and management experts to help prepare and analyze credit statements and loan applications in order to speed loan processing. In some States private lending firms will service the loans under contract with USDA. On October 18, Secretary John Block announced that 5 States would participate in the initial phase of the initiative. The program will be conducted in Iowa, Kansas, Minnesota, Missouri and Nebraska. On October 19, FmHA announced that the credit initiative was now in effect and that forms were being distributed to field offices.

CCC Loan Interest Rate.--The interest rate on CCC loans dropped slightly over the period June through November. In June, the rate stood at 11-3/8 percent. It rose to

12 percent in July and 12-1/8 percent in August. In September, the loan rate was lowered to 11-7/8 percent and in October it was again lowered to 11-3/4 percent. In November, the loan rate stood at 11-1/4 percent.

Nutrition

Child Nutrition Program Income Limits.--On July 1, USDA announced new income limits for child nutrition programs. The income limit for free school meals for a family of 4 was raised from $12,870 to $13,260 annually. The limit for reduced-price meals increased from $18,315 to $18,870.

Maximum annual gross income limits for participation are:

Household Size	Free Meal Eligibility ($)	Reduced Price Eligibility ($)
1	6,474	9,213
2	8,736	12,432
3	10,998	15,651
4	13,260	18,870
5	15,522	22,089
6	17,784	25,308
7	20,046	28,527
8	22,308	31,746
For each additional family member add:	2,262	3,219

Nutrition Facility.--On August 17, USDA announced that a center to study the nutritional needs of infants, women and children will be constructed in Houston. Projections are that the center will be opened in August 1987.

Meat and Poultry Acidifiers.--On November 13, USDA began allowing 5 additional acidifiers to be used in meat and poultry products. The 5 are acetic, citric, lactic, phosphoric and tartaric acid. Acidifiers are used to enhance a product's flavor, stabilize color or protect against unwanted bacterial growth.

Meat Inspection Stamps.--USDA is proposing stronger controls over the production of meat inspection stamps to prevent uninspected products from entering market channels. Under the proposal, brand manufacturers would obtain authorization certificates from USDA before making any brands. Brands would be marked with an identifying number, which would be recorded on the certificate. Current regulations allow the manufacture of brand samples for USDA approval. Once the sample is approved, however, additional copies may be manufactured without obtaining further approval.

Grade Standards for Sheep.--On October 21, USDA announced changes in U.S. grade standards for slaughter lambs, yearlings, and sheep effective November 26. The primary changes in the carcass standards--requiring only 1 "break joint and dropping feathering (streaks of fat) as a grade factor--are not discernible in live animals.

Grade Standards for beef.--Comments will be accepted until February 1, 1985 on USDA proposed changes in official U.S. standards for yield grades of beef carcasses and cattle. The proposed changes allow the industry to remove the kidney, pelvic and heart fat for economic or efficiency reasons. Comments will also be accepted until January 8, 1985 on a USDA proposed rule that would grant authority to USDA meat graders and supervisors to control the movement and

use of meat and meat products not in compliance with meat grading and certification.

Poultry Inspection.--On November 25, USDA adopted a slaughter inspection system called NELS for "new line speed." The system can increase the number of birds inspected up to 91 per minute. Under the new system, once a carcass passes USDA inspection, the plant will be responsible for identifying and trimming bruises and other defects that must be removed but do not warrant condemning the otherwise wholesome bird. Under current procedures, the inspector identifies such defects, directs plant employees to trim them, then verifies that the trimming was done properly. The USDA, on November 7 proposed that a similar system be instituted for slaughtered turkey inspections.

International

Blended Credit.--In October and November, USDA announced blended credit programs to Morocco, Egypt, Iraq, and Tunisia that will enable those countries to purchase U.S. wheat and wheat flour during FY 1985. Under the program, interest-free direct Government export credits are blended with Government-guaranteed private credits to produce a lower interest rate. Morocco will purchase about 1.6 million metric tons of U.S. wheat with its $250 million credit package; Egypt will purchase 850,000 metric tons of U.S. wheat with its $27.2 million credit package; Iraq will purchase 125,000 metric tons of U.S. wheat flour with its $30 million credit package; and Tunisia will purchases about 750,000 metric tons of U.S. wheat with its $120 million blended credit package.

Milk Sale.--On July 26, Secretary John Block announced the sale of 20,000 metric tons of nonfat dry milk valued at $15.4 million to CONASUPO, the Mexican government's food purchasing agency. The milk was owned by CCC. CCC sold the nonfat dry milk for $770 per ton delivered f.o.b. railcar at U.S. Mexican border points.

CCC Credit guarantees.--As of November 5, the USDA has authorized CCC credit guarantees to U.S. exporters of U.S. farm products to Korea of $482 million, Pakistan of $60 million, Bangladesh of $60 million, Hungary of $31 million, Turkey of $170 million, Chile of $55 million, Ecuador of $104.5 million, Thailand of $30 million, Yugoslavia of $170 million, Iraq of $633 million, Honduras of $3 million, and Egypt of $89 million under the Export Credit Guarantee Program for FY 1985.

P.L.-480.--On October 5, USDA released tentative FY 1985 food assistance allocations of $857 million--by country and commodity--under Titles I and III.

Initial FY85 P.L.-480 Title I/III Country and Commodity Allocations

Country	$Mil. Total	Undesignated ($ Mil)	Wheat/ Flour	Rice	Feed-Grains	Vegoil	Total	Cotton
			(---1,000 Metric Tons (grain equivalent)/bales---)					
$805 or less Per Capita GNP								
Bangladesh	75.0	--	219	67	--	13	299	29
Bolivia	20.0	--	125	--	--	--	125	--
Costa Rica a/	28.0	6.6	115	--	24	--	139	--
Dom. Rep. a/	22.0	--	50	--	108	--	158	--
Egypt	225.0	--	1,448 b/	--	--	--	1,448	--
El Salvador	44.0	12.0	138	--	--	15	153	--
Ghana	6.0	--	13	6	--	--	19	5
Guatemala a/	16.0	--	63	--	--	9	72	--

Guinea	6.0	--	--	19	--	--	19	--
Haiti	15.0	--	94	--	--	--	94	--
Honduras	15.0	--	94	--	--	--	94	--
Indonesia	40.0	--	250	--	--	--	250	--
Jamaica a/	35.0	--	110	19	48	6	183	--
Kenya	10.0	--	44	9	--	--	53	--
Liberia	16.0	--	--	50	--	--	50	--
Madagascar	11.0	--	--	12	--	3	15	--
Maldives	1.5	--	4	2	--	--	6	--
Mauritius a/	3.5	--	12 b/	5	--	--	17	--
Morocco a/	45.0	--	310	--	--	--	310	--
Mozambique	10.0	--	35	6	25	--	66	--
Pakistan	50.0	--	--	--	--	74	74	--
Peru a/	20.0	10.0	50	--	--	3	53	--
Senegal	8.0	--	6	13	25	--	44	--
Sierra Leone	4.0	--	13	6	--	--	19	--
Somalia	20.0	--	48 b/	22	--	6	76	--
Sri Lanka	26.0	--	163	--	--	--	163	--
Sudan	50.0	--	305 b/	--	--	--	305	--
Tunisia	5.0	--	31	--	--	--	31	--
Yemen	5.0	--	12 b/	9	--	--	21	--
Zaire	15.0	--	82 b/	--	14	--	96	--
Zambia	10.0	--	25	5	--	6	36	--

a/ Over $805 per capita GNP.
b/ Wheat flour equivalent or contains some portion of wheat equivalent of flour.

African Drought.--On July 19, USDA announced the sale of $89.4 million worth of grain to private exporters for resale to African countries hit by the drought. CCC awarded contracts for $21,720,000 in wheat, $36,613,865 in corn, and $31,081,693 in rice. The Government's of each eligible country agreed that purchases under this program would be in addition to normal commercial purchases and existing food aid commitments.

Imported Cured Pork Products.--USDA is proposing that imported cured pork products will have to comply with the same new requirements for minimum protein levels imposed on domestically produced cured pork by April 1985. If the samples show that the protein content of the imported product falls below the required standard regulatory action will be taken and all future cured pork imports from the country in question would be held until additional tests determine if they comply with U.S. requirements.

Trading Endangered Plant Species.--The USDA has established enforcement procedures for importing and exporting plants protected by the Endangered Species Act of 1973 and the Convention on International Trade in Endangered Species. Under the new regulations, permits are now required for persons who engage in importing or exporting protected plants.

Department of Agriculture

Farmland Protection.--On August 5, all Federal agencies began using criteria developed by USDA to determine if Federal or Federally-aided construction will have any adverse effects on farmland designated for protection under the 1981 farm bill.

Plant Gene Expression Center.--On July 31, USDA announced the formation of a Plant Gene Expression Center in Berkeley, California to speed the genetic engineering of crops. University scientists will help staff the center.

Farm Labor Reports.--On November 20, 1984 USDA will resume publication of the quarterly Farm Labor report.

POLICY THROUGH LEGISLATION

Perishable Agricultural Commodities Act, Amendments (P.L. 98-273).--Provides increased legal protection for sellers of perishable commodities when buyers fail to pay. The act gives sellers trust rights in certain assets of buyers under defined conditions until payment is made.

Critical Agricultural Materials Act (P.L. 98-284).--This act continues an older program to promote commercial development of guayule. The act also broadens the program to cover other crops yielding materials ranging from industrial lubricants to chemical feedstocks.

Bankruptcy Amendments and Federal Judgeship Act of 1984 (P.L. 98-353).--Includes provisions designed to help farmers who own crops stored in bankrupt elevators. Farmers are given status with other priority claimants in collecting unsecured claims of up to $2,000 from the bankrupt elevators, and sets time limits to preclude undue delays in procedures under which farmers may prove ownership of grain in bankrupt elevators and reclaim their grain.

Tax Reform Act of 1984 (P.L. 98-369).--Includes a provision to raise the Federal excise tax exemption on alcohol fuels from renewable sources (such as farm products) from 5 cents a gallon to 6 cents per gallon.

Cotton Statistics and Estimates Act, Amendments (P.L. 98-403).--Extends authority for cotton classing fees and allows inspection fees collected under the Agricultural Marketing Act to be deposited in interest bearing accounts.

Agricultural Trade and Export Policy Commission Act (P.L. 98-412).--Creates a commission to recommend improvements in policies and programs affecting agricultural export trade. The commission is funded by private contributions, although backup authority for Federal contributions is provided if private gifts fall short. The commission is scheduled to make an interim report by March 31, 1985, to aid the Congress in its 1985 Farm Bill deliberations. A final report is due by July 1, 1986.

Federal Timber Contract Payment Modification Act (P.L. 98-478).--Allows timber companies in the Pacific Northwest to "buy out" of portions of Federal timber purchase contracts. The act also includes provisions designed to guard against similar situations in future sales of national forest timber, and it contains a section waiving some Forest Service fees for nonprofit organizations, such as Boy Scout camps, when the groups perform free conservation or similar work in the national forests.

Federal Meat Inspection Act and Poultry Products Inspection Act, Amendments (P.L. 98-487)--Removes the need for continuous Federal inspection of restaurant kitchens serving more than 1 dining room under the same ownership. The kitchens continue to be subject to the adulteration and misbranding provisions of Federal law.

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